

'O'

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

LVDV Holdings, LLC,
Plaintiff,
v.
Jabari Shelton,
Defendant.

CV 22-5921-RSWL-PDx

**ORDER re: MOTION TO
DISMISS [22], MOTION TO
STRIKE [24], AND REQUEST
FOR JUDICIAL NOTICE [23]**

Plaintiff LVDV Holdings, LLC ("Plaintiff") brought the instant Action against Defendant Jabari Shelton ("Defendant") alleging false designation of origin and unfair competition, common law trademark infringement, federal trademark infringement, and counterfeiting. Currently before the Court is Defendant's Motion to Dismiss Plaintiff's First Amended Complaint ("FAC") Under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6), Motion to Strike, and Request for Judicial

1 Notice [22, 23, 24].

2 Having reviewed all papers submitted pertaining to
3 this Motion, the Court **NOW FINDS AND RULES AS FOLLOWS:**
4 the Court **DENIES** in part Defendant's Motion to Dismiss,
5 **GRANTS** in part Defendant's Motion to Dismiss **with leave**
6 **to amend**, and **GRANTS** Defendant's Motion to Strike **with**
7 **leave to amend**.

8 I. BACKGROUND

9 A. Factual Background

10 Plaintiff alleges the following in its FAC:

11 Plaintiff is a well-known streetwear brand that
12 owns rights in apparel bearing the V-Logo mark, VLONE-
13 logo mark, and VLONE word mark (collectively, the "VLONE
14 marks"). See generally FAC, ECF No. 18; Id. ¶¶ 52-53.
15 Defendant originally owned the rights to the VLONE marks
16 and first used them in commerce in April 2012. Id.
17 ¶¶ 16-17. Defendant later assigned the rights in the
18 VLONE marks to Plaintiff in 2020. Id. ¶ 17. Plaintiff
19 licensed the VLONE marks to Defendant, but now,
20 Defendant is a "former" licensee. Id. ¶¶ 16, 56. The
21 Parties had an oral licensing agreement in which
22 Plaintiff licensed Defendant to use and sublicense the
23 VLONE marks. Id. ¶¶ 56, 69. Plaintiff does not state
24 when Defendant's license terminated. Plaintiff's owner,
25 So Hunter, assisted Defendant in making, selling and
26 marketing clothing bearing the VLONE marks while
27 Defendant was licensing those marks. Id. ¶ 63.
28 Moreover, under this agreement, Defendant was required

1 to pay all revenues related to the use, licensing, and
2 sublicensing to an entity called VLONE Holdings, LLC
3 ("VHL"). Id.

4 In 2021, Defendant took \$200,000 out of VHL's bank
5 account without authorization. Id. ¶ 76. Around this
6 time, Defendant falsely represented that he was the
7 owner of the VLONE marks and entered contracts giving
8 various recording artist and enterprises licenses and/or
9 authority to use the VLONE marks without Plaintiff's
10 permission. Id. ¶¶ 78-79, 84-86. Indeed, Defendant
11 even formed a business called Endless Circle Denim LLC
12 ("ECD"), which he used to enter into at least one
13 contract to license the VLONE marks. Id. ¶¶ 139-144.
14 By entering these contracts, Defendant aided in the
15 creation of counterfeit products that compete with
16 Plaintiff's products. Id. ¶¶ 81; 131-33.

17 **B. Procedural Background**

18 Plaintiff filed a Complaint [1] on August 19, 2022.
19 Defendant then filed a Motion to Dismiss [15] on
20 November 21, 2022. Plaintiff filed its First Amended
21 Complaint ("FAC") on November 29, 2022. And Defendant
22 subsequently filed another Motion to Dismiss [22] along
23 with a Motion to Strike Paragraphs 148-153 of the FAC
24 [24], and a Request for Judicial Notice [23] on
25 December 13, 2022. On January 3, 2023, Plaintiff filed
26 its Oppositions to Defendant's Motions to Dismiss [29]
27 and Strike [30], and to Defendant's Request for Judicial
28 Notice [31]. On January 10, 2023, Defendant filed

Replies in support of its Motions to Dismiss [35] and Strike [34], as well as to its Request for Judicial Notice [36].

II. DISCUSSION

A. Legal Standard

1. Motion to Dismiss: Rule 12(b)(6)¹

Federal Rule of Civil Procedure ("Rule") 12(b)(6) allows a party to move for dismissal of one or more claims if the pleading fails to state a claim upon which relief can be granted. A complaint must "contain sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face."

Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (quotation omitted). Dismissal is warranted for a "lack of a cognizable legal theory or the absence of sufficient facts alleged under a cognizable legal theory."

Balistreri v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th Cir. 1988) (citation omitted).

In ruling on a 12(b)(6) motion, a court may generally consider only allegations contained in the

¹ Defendant moves to dismiss Plaintiff's claims for lack of standing under 12(b)(1). While questions of Article III standing are analyzed under the 12(b)(1) standard for lack of subject matter jurisdiction, questions of lack of statutory standing are analyzed under the 12(b)(6) standard for failure to state a claim. See Maya v. Centex Corp., 658 F.3d 1060, 1067 (9th Cir. 2011). Accordingly, the Court assesses Defendant's arguments that Plaintiff does not have standing under section 32(1) of the Lanham Act and California common law under the 12(b)(6) standard. See Lasco Fittings, Inc. v. Lesso Am., Inc., No. EDCV 13-02015-VAP (DTBx), 2014 WL 12601016, at 2 (C.D. Cal. Feb. 21, 2014).

1 pleadings, exhibits attached to the complaint, and
2 matters properly subject to judicial notice. Swartz v.
3 KPMG LLP, 476 F.3d 756, 763 (9th Cir. 2007); see also
4 White v. Mayflower Transit, LLC, 481 F. Supp. 2d 1105,
5 1107 (C.D. Cal 2007), aff'd sub nom. White v. Mayflower
6 Transit, L.L.C., 543 F.3d 581 (9th Cir. 2008) ("unless a
7 court converts a Rule 12(b)(6) motion into a motion for
8 summary judgment, a court cannot consider material
9 outside of the complaint (e.g., facts presented in
10 briefs, affidavits, or discovery materials"). A court
11 must presume all factual allegations of the complaint to
12 be true and draw all reasonable inferences in favor of
13 the non-moving party. Klarfeld v. United States,
14 944 F.2d 583, 585 (9th Cir. 1991). "[T]he issue is not
15 whether a plaintiff will ultimately prevail but whether
16 the claimant is entitled to offer evidence to support
17 the claims." Jackson v. Birmingham Bd. of Educ.,
18 544 U.S. 167, 184 (2005) (quoting Scheuer v. Rhodes,
19 416 U.S. 232, 236 (1974)). While a complaint need not
20 contain detailed factual allegations, a plaintiff must
21 provide more than "labels and conclusions" or "a
22 formulaic recitation of the elements of a cause of
23 action." Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555
24 (2007). However, "a well-pleaded complaint may proceed
25 even if it strikes a savvy judge that actual proof of
26 those facts is improbable, and 'that a recovery is very
27 remote and unlikely.'" Id. at 556 (quoting Scheuer v.
28 Rhodes, 416 U.S. 232, 236 (1974)).

1 2. Motion to Strike

2 Rule 12(f) provides that a court may, by motion or
3 on its own initiative, "strike from a pleading an
4 insufficient defense or any redundant, immaterial,
5 impertinent, or scandalous matter." Fed. R. Civ. P.
6 12(f). "The function of a 12(f) motion to strike is to
7 avoid the expenditure of time and money that must arise
8 from litigating spurious issues by dispensing with those
9 issues prior to trial." Whittlestone, Inc. v. Handi-
10 Craft Co., 618 F.3d 970, 973 (9th Cir. 2010) (quoting
11 Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527 (9th Cir.
12 1993), rev'd on other grounds, 510 U.S. 517 (1994)).
13 "Motions to strike are generally disfavored." Leghorn
14 v. Wells Fargo Bank, N.A., 950 F. Supp. 2d 1093, 1122
15 (N.D. Cal. 2013) (citation omitted); see also Sapiro v.
16 Encompass Ins., 221 F.R.D. 513, 518 (N.D. Cal. 2004)
17 ("Courts have long disfavored Rule 12(f) motions,
18 granting them only when necessary to discourage parties
19 from making completely tendentious or spurious
20 allegations.").

21 "In ruling on a motion to strike under Rule 12(f),
22 the court must view the pleading in the light most
23 favorable to the nonmoving party." Cholakyan v.
24 Mercedes-Benz USA, LLC, 796 F. Supp. 2d 1220, 1245
25 (C.D. Cal. 2011). "[B]efore granting such a
26 motion . . . the court must be satisfied that there are
27 no questions of fact, that the [claim or] defense is
28 insufficient as a matter of law, and that under no

1 circumstance could [it] succeed.” Id. “[C]ourts
2 frequently require the moving party to demonstrate
3 prejudice before granting the requested relief, and
4 ultimately whether to grant a motion to strike falls on
5 the sound discretion of the district court.” Cook v.
6 Cnty. of Los Angeles, No. CV 19-2417 JVS (KLSx), 2021 WL
7 1502704, at *2 (C.D. Cal. Mar. 31, 2021).

8 **B. Discussion**

9 1. Judicial Notice

10 Defendant requests the Court take judicial notice
11 of:² (1) archived pages of the Vlone website between
12 September 19, 2020, and August 31, 2022, accessible
13 through the Internet Archive’s Wayback Machine; (2) the
14 applications, specimens, and assignments filed with the
15 U.S. Patent and Trademark Office for the three Vlone
16 Marks, downloaded from the U.S. Patent and Trademark
17 Office; (3) press releases and news articles detailing
18 Defendant’s founding of the Vlone brand; (4) the
19 Articles of Organization of LVDV Holding, LLC; and
20 (5) the U.S. Patent and Trademark Office Courtesy
21 Reminder of Required Trademark Registration Maintenance
22 Filing Under Section 8 for the “VLONE Word Mark,”
23 downloaded from the U.S. Patent and Trademark Office.
24 Def.’s Req. for Judicial Notice (“RJN”), ECF No. 23;
25 Id., Exs. 1-5, ECF Nos. 23-1, 23-2, 23-3.

26
27 ² The documents are attached to the Request for Judicial
28 Notice as exhibits and are referred to here by their exhibit
number.

1 A court may take judicial notice of "a fact that is
2 not subject to reasonable dispute because it: (1) is
3 generally known within the court's territorial
4 jurisdiction; or (2) can be accurately and readily
5 determined from sources whose accuracy cannot reasonably
6 be questioned." Fed. R. Evid. 201(b). Courts may also
7 take judicial notice of administrative bodies' records
8 and reports. Anderson v. Holder, 673 F.3d 1089, 1094
9 n.1 (9th Cir. 2012).

10 The Court **GRANTS** Defendant's requests with respect
11 to items (2), (4), and (5), as trademark registrations,
12 publicly available documents from the U.S. Patent and
13 Trademark Office, and articles of incorporation are all
14 properly subject to judicial notice. See Dep't of Parks
15 & Recreation v. Harper, No. CV 05-2008 DSF (JWJx), 2006
16 WL 8434676, at *3 (C.D. Cal. Apr. 25, 2006) (quoting
17 Vitek Sys., Inc. v. Abbott Labs., 675 F.2d 190, 192 n.3
18 (8th Cir. 1982)) ("[T]he 'court may take judicial notice
19 of Patent and Trademark Office documents.'"); Horn v.
20 Azusa Pac. Univ., No. 218CV09948CASPLAX, 2019 WL
21 9044606, at *5 (C.D. Cal. Jan. 14, 2019) (taking
22 judicial notice of a corporation's articles of
23 incorporation).

24 The Court **DENIES as moot** Defendant's request as to
25 items (1) and (3), as the Court does not rely on those
26 documents in reaching its decision. See Flate v. Mortg.
27 Lenders Network USA, Inc., No. CV 15-08873-AB (FFMx),
28 2016 WL 9686051, at *4 (C.D. Cal. Mar. 4, 2016) (denying

1 as moot a request for judicial notice where "the [c]ourt
2 did not rely on any documents in . . . its ruling").

3 2. 12(b)(6)

4 a. Standing

5 Defendant argues that the assignment of the VLONE
6 marks to Plaintiff was invalid, and therefore Plaintiff
7 has no standing to sue for trademark infringement and
8 related claims. See generally Mot. Section 32(1) of
9 the Lanham Act allows only a "registrant" to bring a
10 civil action under that section for any of the forms of
11 trademark infringement made unlawful therein. 15 U.S.C.
12 § 1114(1) ("Any person who shall, without the consent of
13 the registrant . . . [commit any of several infringement
14 offenses] shall be liable in a civil action by the
15 registrant for the remedies hereinafter provided.").
16 "Registrant" includes the registrant's "legal
17 representatives, predecessors, successors, and assigns."
18 Id. § 1127 (defining "registrant").

19 "There is no such thing as property in a trade-mark
20 except as a right appurtenant to an established business
21 or trade in connection with which the mark is employed."
22 United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90,
23 97-98(1918). A trademark is therefore "assignable
24 [only] with the good will of the business in which the
25 mark is used, or with that part of the good will of the
26 business connected with the use of and symbolized by the
27 mark." 15 U.S.C. § 1060. A "naked" or "in gross"
28 transfer of a mark, i.e., without the associated

1 goodwill, is invalid. See Visa, U.S.A., Inc. v.
2 Birmingham Trust Nat'l Bank, 696 F.2d 1371, 1375
3 (Fed. Cir. 1982).

4 "Goodwill" has been generally described as "the
5 advantage or benefit, which is acquired by an
6 establishment, beyond the mere value of the capital,
7 stock, funds, or property employed therein, in
8 consequence of the general public patronage and
9 encouragement which it receives from constant or
10 habitual customers." Newark Morning Ledger Co. v.
11 United States, 507 U.S. 546, 555 (1993). Goodwill must
12 accompany the assignment of a trademark "to maintain the
13 continuity of the product or service symbolized by the
14 mark and thereby avoid deceiving or confusing
15 customers." Gallo Winery, 967 F.2d at 1289 (citing 1 J.
16 THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, §
17 18:1(C)). A mere recitation in the assignment agreement
18 "that the mark was assigned 'together with the good will
19 of the business symbolized by the mark'" is not
20 sufficient to establish a valid transfer. Money Store
21 v. Harriscorp Fin., Inc., 689 F.2d 666, 676 (7th Cir.
22 1982).

23 Courts often assess whether there has been a
24 transfer of goodwill by whether the assignee offers
25 goods substantially similar to, or of the same nature
26 and quality as, the goods previously associated with the
27 mark. Visa, U.S.A., Inc., 696 F.2d at 1376; Archer
28 Daniels Midland Co. v. Narula, No. 99 C 6997, 2001 WL

1 804025, at *6-7 (N.D. Ill. July 12, 2001). Indeed, an
2 assignee's failure to "set forth factual allegations
3 tending to show that [it] maintained actual control
4 sufficient to ensure continuity of the mark" serves as
5 grounds to dismiss trademark infringement claims.
6 Parkinson v. Robanda Int'l, Inc., 641 F. App'x 745, 747
7 (9th Cir. 2016). Importantly, "information sufficient
8 to enable [the assignee] to continue" the business that
9 the assignor was conducting prior to the assignment may
10 constitute a transfer of goodwill. See Gallo, 967 F.2d
11 at 1289.

12 Here, Plaintiff adequately alleged that it obtained
13 the goodwill necessary to confer standing. Indeed,
14 Plaintiff states that prior to the assignment, its sole
15 owner, So Hunter, assisted Defendant in making, selling,
16 and marketing clothing bearing the VLONE marks. FAC
17 ¶ 63. Plaintiff thus contends that its owner is
18 familiar with the marketing and trade channels for
19 products bearing the VLONE marks. Id. ¶¶ 61-62.
20 Accordingly, Plaintiff states that its owner "has
21 sufficient knowledge and information to continue the
22 business using the VLONE marks." Id. ¶ 64. These
23 contentions are sufficient to show that Plaintiff
24 received the goodwill associated with the VLONE marks,
25 and thus received a valid assignment. See Gallo,
26 967 F.2d at 1289. Therefore, at this stage of
27 litigation, Plaintiff's allegations are adequate to show
28 that Plaintiff has standing to bring this claim. See

1 Klarfeld, 944 F.2d at 585 (holding that a court must
 2 presume all factual allegations of the complaint to be
 3 true and draw all reasonable inferences in favor of the
 4 non-moving party on a motion to dismiss).³

5 b. Claims One, Two, and Three: False
 6 Designation of Origin, Trademark
 7 Infringement, and Unfair Competition

8 Plaintiff brings claims of false designation of
 9 origin, trademark infringement, and unfair competition
 10 under 15 U.S.C. § 1125(A), 15 U.S.C. § 1114(1), and
 11 California law. See generally FAC.

12 This Court analyzes these claims together for the
 13 purposes of this Motion. “[T]he courts have uniformly
 14 held that common law and statutory trademark
 15 infringement are merely specific aspects of unfair
 16 competition.” Hokto Kinoko Co. v. Concord Farms, Inc.,
 17 810 F.Supp.2d 1013, 1031 (C.D. Cal. 2011) (citing New W.
 18 Corp. v. NYM Co. of Cal., Inc., 595 F.2d 1194, 1201 (9th
 19 Cir.1979)); see also Grey v. Campbell Soup Co., 650 F.

21 ³ Since Plaintiff alleges that Defendant licensed the VLONE
 22 marks after the assignment, it is possible that there could also
 23 be an “assignment/license-back” agreement—a transaction in which
 24 Company A assigns a trademark to Company B, but continues to
 25 utilize the trademark under a license with Company B. Gallo, 967
 26 F.2d at 1290. Such arrangements can serve to prevent the
 27 disruption of the “continuity of the products or services
 28 associated with a given mark,” and therefore preserve the
 goodwill of the marks. Id. at 1289-90. Nonetheless, since the
 Court determines that Plaintiff has adequately pled it received
 the goodwill of the marks and has standing, the Court declines to
 address whether the parties established a valid
 assignment/license-back agreement.

1 Supp. 1166, 1173 (C.D. Cal. 1986) ("The tests for
2 infringement of a federally registered mark under
3 § 32(1), 15 U.S.C. § 1114(1), infringement of a common
4 law trademark, unfair competition under § 43(a),
5 15 U.S.C. § 1125(a), and common law unfair competition
6 involving trademarks are the same"). A claim for false
7 designation of origin under 15 U.S.C. § 1125 requires
8 proof of the same elements as a claim for trademark
9 infringement under 15 U.S.C. § 1114. Brookfield
10 Commc'ns, Inc. v. W. Coast Ent. Corp., 174 F.3d 1036,
11 1046 n.6 (9th Cir. 1999) (citing 15 U.S.C. §§ 1114(1) &
12 1125; AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348
13 (9th Cir. 1979)).

14 Furthermore, the Ninth Circuit "has consistently
15 held that state common law claims of unfair
16 competition . . . are 'substantially congruent' to
17 claims made under the Lanham Act." Cleary v. News
18 Corp., 30 F.3d 1255, 1262-63 (9th Cir. 1994) (citing
19 Academy of Motion Picture Arts & Scis. v. Creative House
20 Promotions, Inc., 944 F.2d 1446, 1457 (9th Cir. 1991)).

21 To prove a claim of trademark infringement, a
22 plaintiff must show: (1) that it has a valid,
23 protectable trademark, and (2) that defendant's use of
24 the mark is likely to cause confusion. Applied Info.
25 Scis. Corp. v. eBay, Inc., 511 F.3d 966, 969
26 (9th Cir.2007) (citing Brookfield Commc'ns, 174 F.3d
27 at 1047, 1053).
28

1 Defendant contends that Plaintiff has not stated a
2 claim because Defendant had a license to use the marks,
3 and Plaintiff's claims are improperly based on
4 Defendant's alleged failure to pay VHL revenues. Mot.
5 20:15-27. Plaintiff, on the other hand, argues that the
6 Parties entered an agreement providing that Defendant
7 could use/sublicense the VLONE marks, and that Defendant
8 was to have all resulting revenues paid to VHL, where
9 the revenues would presumably be split between
10 Defendant, Plaintiff's owner, and a third party. FAC
11 ¶¶ 69, 72. Plaintiff argues that Defendant's uses of
12 the VLONE marks were unauthorized insofar as he failed
13 to pay the revenues obtained from those uses to VHL.
14 Id. ¶¶ 76-146.

15 It is well established that when a license ends, a
16 former licensee's continued use of the relevant marks
17 constitutes infringement. See, e.g., Hambrecht Wine
18 Grp., L.P. v. Millennium Imp. LLC, No. C 05-04625 JW,
19 2007 WL 9760162 (N.D. Cal. Apr. 26, 2007); see also
20 Microban Prods. Co. v. API Indus., Inc., No. 14 Civ. 41
21 (KPF), 2014 WL 1856471, at *6 (S.D.N.Y. May 8, 2014)
22 (stating that "likelihood of confusion is established as
23 a matter of law" where "an ex-licensee continues to use
24 a mark after its license expires."). Moreover, when a
25 licensee's use of marks exceeds the scope of the
26 licensor's consent established in the license, that use
27 constitutes an unauthorized use. See Lee Myles Assocs.
28 Corp. v. Paul Rubke Enters., Inc., 557 F. Supp. 2d 1134,

1 1141-42 (S.D. Cal. 2008). For instance, in Lee Myles,
2 the license provided that the licensee could use the
3 relevant marks only in connection with a preexisting
4 franchise business, and any other uses had to be
5 approved in writing by the licensor. Id. Therefore,
6 the licensor's allegations that its consent did not
7 extend to the licensee's use of the marks to facilitate
8 their own separate business established a valid
9 infringement claim. Id.

10 Here, while not as explicitly set forth as in the
11 Lee Myles written license, Plaintiff alleges that the
12 parties agreed that Defendant would place all revenues
13 from his use of the VLONE marks into VHL. Plaintiff
14 further contends that the Defendant's failure to place
15 revenues into VHL renders the connected uses of the
16 VLONE marks "unauthorized." Consequently, Plaintiff has
17 adequately stated claims for trademark infringement,
18 false designation of origin, and unfair competition.

19 c. Claim Four: Counterfeiting Under 15 U.S.C.
20 § 1117

21 A counterfeiting claim under "Section 1116(d)
22 requires that the mark in question be (1) a non-genuine
23 mark identical to the registered, genuine mark of
24 another, where (2) the genuine mark was registered for
25 use on the same goods to which the infringer applied the
26 mark." Louis Vuitton Malletier, S.A. v. Akanoc
27 Solutions, Inc., 658 F.3d 936, 946 (9th Cir.2011); see
28 also Partners for Health & Home, L.P. v. Seung Wee Yang,

1 No. CV 09-07849, 2011 WL 5387075, at *8 (C.D. Cal. Oct.
2 28, 2011) ("Trademark infringement under 15 U.S.C.
3 § 1114(1) also constitutes trademark counterfeiting when
4 the infringer uses a 'counterfeit mark,' which is
5 defined as 'a counterfeit of a mark that is registered
6 on the principal register in the United States Patent
7 and Trademark Office for such goods or services sold,
8 offered for sale, or distributed and that is in
9 use' 15 U.S.C. § 1116(d)(1)(B)(I).").

10 Plaintiff argues that Defendant is liable for
11 trademark counterfeiting because Defendant used the
12 VLONE marks without authority. See generally FAC.
13 Plaintiff states that Defendant "willfully and without
14 authorization directly or indirectly [made] products"
15 bearing Plaintiff's mark and Defendant is "liable for
16 willfully counterfeiting Plaintiff's" marks. FAC
17 ¶¶ 195-200. Such assertions, however, are bare
18 allegations and formulaic recitations of the cause of
19 action, insufficient to state a claim. See Bell Atl.
20 Corp. v. Twombly, 550 U.S. 544, 555 (2007). The issue
21 before the Court is whether a mark becomes counterfeit
22 due to unauthorized use.

23 The Ninth Circuit has held that a former licensee
24 can be held liable for counterfeiting in the context of
25 certification marks. See Idaho Potato Comm'n v. G & T
26 Terminal Packaging, Inc., 425 F.3d 708, 720-22 (9th Cir.
27 2005). But the Ninth Circuit was careful to clarify
28 that "[a] certification mark is a special creature for a

1 purpose uniquely different from that of an ordinary
2 trademark or service mark.” Id. at 716 (citing 3
3 MCCARTHY ON TRADEMARKS, § 19:91 (4th ed. 2005)). And,
4 conversely, courts have found that licensees continuing
5 to use a mark after authorization terminated could not
6 be liable for counterfeiting, as the marks were not
7 “counterfeit.” See Meineke Franchisor SPV LLC v. Atta,
8 No. SACV 18-1205-JVS(ADSx), 2019 WL 1751840, at *5 (C.D.
9 Cal. Mar. 19, 2019); see also U.S. Structures Inc. v.
10 J.P. Structures, Inc., 130 F.3d 1185, 1192 (6th Cir.
11 1997) (“We agree with defendants that § 1117(b) does not
12 apply where, as in this case, a [former] franchisee
13 continues to use the franchisor’s original trademark
14 after the franchise has been terminated. Although the
15 use of an original trademark is without authorization,
16 it is not the use of a counterfeit mark”);
17 Pennzoil-Quaker State Co. v. Smith, No. 2:05CV1505, 2008
18 WL 4107159, at *20-22 (W.D. Pa. Sept. 2, 2008) (holding
19 that a former licensee’s use of genuine marks did not
20 constitute counterfeiting).

21 Here, Plaintiff has not pled a claim for
22 counterfeiting. Plaintiff has failed to show that
23 Defendant used counterfeit marks, and any unauthorized
24 use of Plaintiff’s marks does not make the marks in
25 question “counterfeit.” Therefore, the Court should
26 **GRANT** Defendant’s Motion to Dismiss Plaintiff’s
27 Counterfeiting claim.

28 ///

1 d. Leave to Amend

2 "Where a motion to dismiss is granted, a district
3 court must decide whether to grant leave to amend."
4 Winebarger v. Pennsylvania Higher Educ. Assistance
5 Agency, 411 F. Supp. 3d 1070, 1082 (C.D. Cal. 2019).
6 "The court should give leave [to amend] freely when
7 justice so requires." Fed. R. Civ. P. 15(a)(2). In the
8 Ninth Circuit, "Rule 15's policy of favoring amendments
9 to pleadings should be applied with 'extreme
10 liberality.'" United States v. Webb, 655 F.2d 977, 979
11 (9th Cir. 1981). Against this extremely liberal
12 standard, the Court may consider "the presence of any of
13 four factors: bad faith, undue delay, prejudice to the
14 opposing party, and/or futility." Owens v. Kaiser
15 Found. Health Plan, Inc., 244 F.3d 708, 712 (9th Cir.
16 2001).

17 The Court should grant leave to amend because
18 Plaintiff can plead additional facts to support its
19 counterfeiting claim. There is no evidence of bad faith
20 or undue delay by Plaintiff, nor potential prejudice to
21 Defendant by allowing amendment. The Court therefore
22 **GRANTS** Defendant's Motion to Dismiss Plaintiff's
23 counterfeiting claim **with leave to amend**.

24 3. Motion to Strike

25 Defendant seeks to strike paragraphs 148 through
26 153 in the FAC on grounds that they are redundant,
27 immaterial, impertinent, or scandalous. Motions to
28 strike may be granted if "it is clear that the matter to

1 be stricken could have no possible bearing on the
2 subject matter of the litigation.” LeDuc v. Kentucky
3 Central Life Ins. Co., 814 F. Supp. 820, 830 (N.D. Cal.
4 1992).

5 An “impertinent” allegation is neither responsive
6 nor relevant to the issues involved in the action and
7 which could not be put in issue or given in evidence
8 between the parties. Wilkerson v. Butler, 229 F.R.D.
9 166, 170 (E.D. Cal. 2005). An “impertinent” matter
10 consists of statements that do not pertain and are
11 unnecessary to the issues in question. Id. A
12 “scandalous” matter improperly casts a derogatory light
13 on someone, usually a party. Id. Allegations may be
14 stricken as scandalous if the matter bears no possible
15 relation to the controversy or may cause the objecting
16 party prejudice. Id.

17 Here, the Court should strike the allegations in
18 paragraphs 148 through 153. Plaintiff recounts how in
19 2018, Defendant was arrested in England for two counts
20 of sexual assault, which he later pled guilty to in
21 2019. FAC ¶¶ 148-49. Plaintiff contends that these
22 incidents resulted in the cancellation of an agreement
23 wherein Nike was to use the VLONE marks, and therefore
24 Defendant’s actions harmed the reputation of the VLONE
25 marks. Id. ¶ 150-51, 153. On the face of the FAC,
26 however, it is unclear how any harm caused to the VLONE
27 marks’ reputation approximately one to two years prior
28 to Plaintiff’s purported assignment of rights in the

1 marks is relevant to Plaintiff's claims that Defendant
2 infringed upon Plaintiff's post-assignment rights.

3 Indeed, in its FAC Plaintiff does not adequately
4 connect these factual allegations to any of its claims
5 for relief. Moreover, these allegations could cause
6 Defendant, the objecting party, prejudice. In its
7 Opposition, Plaintiff argues that it raises these facts
8 in anticipation of Defendant later raising a defense of
9 inadequate consideration. See Pl.'s Opp'n to Def.'s
10 Mot. to Strike 2:21-26, ECF No. 30. But speculation as
11 to the precise reason the Nike agreement was lost need
12 not be shared in anticipation of such a defense. And
13 Plaintiff can cure its FAC while still addressing a
14 possible lack of consideration defense. When amending
15 its FAC, Plaintiff is free to explain without including
16 inflammatory, unnecessary detail, that while Defendant
17 was in control of the VLONE marks, a Nike agreement fell
18 through and that may have impacted the consideration
19 exchanged for the VLONE marks. Accordingly, the Court
20 **GRANTS** Defendant's motion to strike the allegations in
21 paragraphs 148 through 153 **with leave to amend**.

22 ///

23 ///

24 ///

25 ///

26 ///

27 ///

28 ///

III. CONCLUSION

Based on the foregoing, the Court **DENIES** in part Defendant's Motion to Dismiss, **GRANTS** in part Defendant's Motion to Dismiss **with leave to amend**, and **GRANTS** Defendant's Motion to Strike **with leave to amend**.

IT IS SO ORDERED.

DATED: May 2, 2023

/S/ RONALD S.W. LEW

HONORABLE RONALD S.W. LEW

Senior U.S. District Judge